

COMMISSION AGENDA

Item No: 4A

Meeting: 12/19/19

DATE: December 4, 2019

TO: Port Commission

FROM: Eric Johnson, Executive Director

Sponsor: Tong Zhu, Chief Commercial Officer & Chief Strategy Officer

Project Manager: Scott Francis, Director of Real Estate

SUBJECT: Three-Year Lease with KAG West, LLC
401 Alexander Ave., Tacoma, WA 98421

A. ACTION REQUESTED

Authorization for the Executive Director or his designee to enter into a three-year lease with KAG West, LLC for the premises located at 401 Alexander Ave., Tacoma, WA.

B. BACKGROUND

- KAG West, LLC, was founded in 1997 and is headquartered in North Canton, Ohio.
- KAG is North America's largest tank truck transporter and logistics provider. They operate out of approximately 300 terminal and satellite locations in the United States, Canada and Mexico.
- Since 2016, KAG has leased this premises on a month-to-month basis.
- KAG's account with the Port is in good standing.
- KAG provides local service to Sea-Tac International Airport, Boeing, Pierce County, King County, and Costco.
- KAG has been recognized by the Commercial Vehicle Safety Alliance for their commitment to commercial vehicle safety.
- KAG now wishes to convert their month-to-month lease to a three-year lease term and lease additional office space.

C. PRIMARY LEASE TERMS

- Lease Premises: Approximately 14,753 square feet of warehouse space, 3,614 square feet of office space, 2.4 acres of parking and yard space.
- Use: Vehicle parking, tractor and trailer parking, shop maintenance on tractors and trailers, and general administrative office functions.
- Lease Commencement Date: Approximately January 1, 2020.
- Lease Term: Three (3) years, with two (2) mutually approved one-year extensions.
- Rent: \$20,400/mo. (\$244,800/yr.).
- Rent Escalation: Annual escalation based on CPI-U Seattle-Tacoma-Bellevue.
- Security Deposit: \$276,242 (one-year's rent + leasehold tax).
- Insurance Requirements:
 - \$2 Million general liability
 - \$2 Million pollution liability
 - \$1 Million auto liability

- All utilities are Lessee's responsibility.
- Lessor Maintenance/Repair Responsibility:
 - Major building electrical system
 - HVAC maintenance and repair
 - Fire suppression system
 - Exterior wall/roof/doors/windows
 - Primary plumbing system
- Lessee Maintenance/Repair Responsibility:
 - Minor electrical repairs
 - Secondary plumbing
 - Storm water system

D. TIMEFRAME/PROJECT SCHEDULE

1 st Reading of Lease	November 25, 2019
2 nd Reading of Lease	December 19, 2019
Lease Commencement	January 1, 2020
Lease Term	Three (3) years

E. FINANCIAL SUMMARY

Initial rent is \$20,400/month (\$244,800/year).

F. ECONOMIC INVESTMENT / JOB CREATION

Sixty-five employees work at this Port of Tacoma location including 15 administrative personnel that will be relocated from Federal Way.

G. ENVIRONMENTAL IMPACTS / REVIEW

KAG maintains best management practices including the following:

- All delivery tankers are empty when stored on Port property.
- All fluid flow valves are locked out when stored on Port property.
- The fueling truck is parked in a containment boom area.
- KAG has employees working at this site 24-hours per day, seven days per week.
- Anti-idling procedures are in place.
- KAG complies with the NWSA Clean Truck Program; no trucks are older than 2011.

H. NEXT STEPS

Upon Commission approval of the requested action, the Port Executive Director or his designee will enter into a three-year lease with KAG West, LLC for the premises located at 401 Alexander Ave., Tacoma, WA.